



Future of the Balkans and U.S. Policy Concerns

Steven Woehrel

Specialist in European Affairs

May 13, 2009

Congressional Research Service

7-5700

www.crs.gov

RL32136

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 13 MAY 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE Future of the Balkans and U.S. Policy Concerns				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service, Library of Congress, 101 Independence Ave., SE, Washington, DC, 20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 18	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Summary

The United States, its allies, and local leaders have achieved substantial successes in the Balkans since the mid-1990s. The wars in the region have ended, and all of the countries are undertaking political and economic reforms at home and orienting their foreign policies toward Euro-Atlantic institutions. However, difficult challenges remain, including dealing with the impact of Kosovo's independence; fighting organized crime, corruption, and enforcing the rule of law; bringing war criminals to justice; and reforming the economies of the region.

The goal of the United States and the international community is to stabilize the Balkans in a way that is self-sustaining and does not require direct intervention by NATO-led forces and international civilian officials. The United States has reduced the costs of its commitments to the region, in part due to competing U.S. and international priorities, such as the war on terrorism, and efforts to stabilize Iraq and Afghanistan, which have placed strains on U.S. resources. SFOR and KFOR, the NATO-led peacekeeping forces in Bosnia and Kosovo, were reduced in size. In December 2004, SFOR's mission was concluded, and European Union troops took over peacekeeping duties in Bosnia. No U.S. combat troops remain in Bosnia. About 15,500 troops remain in Kosovo as part of KFOR, including 1,500 U.S. soldiers.

Since the September 11, 2001 attacks on the United States, the war on terrorism has been the United States' main foreign policy priority, including in the Balkans. Before September 11, Al Qaeda supporters operated from Bosnia and Albania. However, the Bush Administration said that these countries and others in the region "actively supported" the war on terrorism, shutting down terrorist front organizations and seizing their assets. Although their efforts are hampered by the weakness of local government institutions, U.S. anti-terrorism efforts in the Balkans are aided by U.S. military and intelligence assets in the region, as well as a reservoir of good will among local Muslims of all ethnic groups.

Congress has played an important role in shaping U.S. Balkans policy. Some Members supported Clinton Administration efforts to intervene to stop the fighting in the region in the mid and late 1990s, while others were opposed. Members were leery of an open-ended commitment to the region and sought to contain these costs through adoption of benchmarks and limiting U.S. aid and troop levels to the region. The end of the wars in the Balkans and the shift in U.S. priorities in the wake of the September 11 attacks has moved the Balkans to the periphery of congressional concerns, at least when compared to the situation in the 1990s. However, Congress has continued to have an impact on such issues as Kosovo's status, conditioning some U.S. aid to Serbia on cooperation with the International Criminal Tribunal for the Former Yugoslavia, and supporting NATO membership for the countries of the region. On May 12, 2009, the House passed H.R. 171, which calls on Bosnia to make constitutional reforms and on the Administration to appoint a special envoy to the Balkans. In late May 2009, Vice President Joe Biden will reportedly visit Kosovo, Bosnia, and Serbia to discuss the situation in the region.

Contents

Introduction: The Role of the Balkans in U.S. Foreign Policy	1
Current Challenges in the Region	1
Impact of Kosovo's Independence	1
Establishing Democracy and the Rule of Law	2
Economic Reform and Improving Living Standards	3
U.S. Policy Concerns	4
Creating Self-Sustaining Stability in the Balkans	4
Filling a Possible Security Gap	5
Restructuring the International Role in the Region	6
U.S. and International Aid in the Balkans	9
EU Aid to the Balkans	10
The War on Terrorism and the Balkans	10
The Role of Congress in U.S. Balkans Policy	11

Figures

Figure 1. Central Balkans Region	14
--	----

Contacts

Author Contact Information	15
----------------------------------	----

Introduction: The Role of the Balkans in U.S. Foreign Policy

The United States and the international community have achieved substantial successes in the Balkans since the 1990s. The wars in the former Yugoslavia were ended. All of the countries of the region are undertaking political and economic reforms and orienting their foreign policies toward Euro-Atlantic institutions. U.S. officials have stated that ensuring the stability of the Balkans is an important part of a U.S. vital interest in securing a Europe whole, free, and at peace.

For more than thirteen years, the United States has provided significant aid and troop deployments to the Balkans in support of this goal. Both aid amounts and the U.S. troop commitments have declined as the region has stabilized and more pressing U.S. foreign policy priorities have emerged. At the same time, the European Union has increased its role, with the ultimate goal of extending EU membership to the countries of the region. However, analysts believe the United States still may have an important role to play in the Balkans. Observers note that the United States has political credibility in the region, particularly among Bosniaks and Albanians, which the Europeans may lack. In particular, some analysts say that greater U.S. diplomatic engagement is needed to re-energize constitutional reforms in Bosnia, which have languished since 2006. The region may have a higher strategic profile given U.S. use of military bases in Romania and Bulgaria, which could be useful for U.S. operations in the Middle East. Continued U.S. attention may also be needed to uproot possible terrorist networks in the region.

Current Challenges in the Region

Impact of Kosovo's Independence

On February 17, 2008, Serbia's Kosovo province declared its independence. The United States and 22 of the 27 European Union countries (including key states such as Britain, France, Germany, and Italy) have recognized Kosovo as an independent state. In all, at least 58 countries have recognized Kosovo so far. Serbia, which considers Kosovo as part of its territory, sharply condemned the move, and declared it to be null and void. Belgrade downgraded diplomatic relations with the United States and other countries that recognized Kosovo. Serbia has been joined in its opposition by Russia, China, and five EU countries (Spain, Greece, Cyprus, Romania and Slovakia, which have ethnic minority concerns of their own, and/or are traditional allies of Serbia).

When it declared independence, Kosovo pledged to implement a status settlement plan proposed by U.N. envoy Martti Ahtisaari. The plan calls for an independent Kosovo to be supervised by the international community for an undefined period.¹ Kosovo is not permitted to merge with another country or part of another country. The document contains provisions aimed at safeguarding the rights of ethnic Serbs and other minorities in Kosovo. Six Serbian-majority municipalities are to be given expanded powers over their own affairs. Local police in these areas are to reflect the

¹ Ahtisaari's report to Secretary General Ban Ki-Moon on the plan can be found at http://www.un.org/Docs/sc/unsc_presandsg_letters07.htm.

ethnic composition of the locality. The judiciary and central government have to reflect the ethnic composition of Kosovo, and all laws having a special impact on an ethnic minority can only be adopted by a majority of that ethnic group's representatives in parliament. International missions led by the European Union supervise Kosovo's compliance with the Ahtisaari plan.

The pro-Western government that took power in Belgrade in July 2008 remains dedicated to opposing Kosovo's independence by diplomatic means. It scored a notable success on October 8, 2008, when the U.N. General Assembly voted to refer the question of the legality of Kosovo's declaration of independence to the International Court of Justice. A decision on the case is not expected for several years.

Many experts believe Serbia is aiming at (and has largely achieved) a de facto separation of the Serbian-dominated northern part of Kosovo from the rest of the country. Local Serbs recognize only the authority of the Serbian government, and receive subsidies from Belgrade. On the other hand, the Serbian government reluctantly acquiesced in the deployment in December 2008 of EULEX, an EU-led law and order mission, to northern Kosovo. Belgrade was able to negotiate terms that formally placed EULEX under the U.N. umbrella, thereby politically distancing Serbia from the Ahtisaari plan, which recognizes Kosovo's independence. The security situation in Kosovo has stabilized somewhat since February 2008 although sporadic outbreaks of violence continue to occur. If there is large-scale violence between Serbs and Albanians in Kosovo, large numbers of Serbs could leave the province, particularly those living in isolated enclaves in the southern part of Kosovo.

Serbia hopes that the ICJ case will keep the Kosovo status issue open by discouraging additional diplomatic recognitions. Indeed, the diplomatic stalemate over Kosovo's independence could indefinitely delay Kosovo's entry into the United Nations (due to the opposition of Russia) and, in the long term, into the EU and NATO. On the other hand, keeping Kosovo open as a diplomatic issue could negatively affect Serbia's EU membership prospects as well, given that all but 5 EU countries have already recognized Kosovo. Such countries currently support Serbia's early steps toward EU integration, despite differences on Kosovo. However, they could decide in the more distant future that Serbian membership itself should wait until Belgrade recognizes Kosovo, in order to avoid importing an intractable ethno-territorial dispute into the EU and foreclosing Kosovo's own possible future membership.

Some observers have suggested that one possible way out of the impasse is a partition of Kosovo, presumably at the current de facto dividing line. Partition has been raised as a possibility (although not advocated) by Serbian President Boris Tadic. However, partition is vociferously opposed by Kosovo's leaders, who insist that their government must have sovereignty over all of Kosovo. The United States and the EU also oppose partition. Some experts fear that partition could destabilize the region by encouraging similar demands by Serbs in Bosnia or by ethnic Albanians in southern Serbia and perhaps Macedonia.²

Establishing Democracy and the Rule of Law

The domestic political situation in the Balkan countries has improved since the end of the Yugoslav wars in the 1990s. All the countries in the region have held largely free and fair

² For more on Kosovo, see CRS Report RS21721, *Kosovo: Current Issues and U.S. Policy*, by Steven Woehrel.

elections, although some problems with elections still need to be addressed. Civil society groups and independent media express a wide variety of views, but sometimes face pressure from government authorities. The countries in the region have redrawn their constitutions along more democratic lines, but some constitutional provisions in Serbia and other countries are still less than ideal.

Serious problems remain. The legitimacy of democratic institutions is challenged by the weakness of government structures. The countries of the region lack effective, depoliticized public administration. The police and judicial systems in many countries are weak and often politicized. Government corruption is a serious problem in all of the countries of the region. Organized crime is a powerful force in the region and is often allied with key politicians, police, and intelligence agency officials. Albania, Macedonia, and other countries of the region have had problems in developing a stable, democratic political culture. This has resulted in excessively sharp tension between political parties that has at times hindered effective governance. Relatedly, ethnic tension remains a serious problem in many countries of the region, particularly in Bosnia, Kosovo, and Macedonia. Too often, party leaders, with their power to distribute patronage, contracts, and other sources of largesse, are the real power in these countries, overriding the rule of law. In countries where ethnic tensions are great, leaders of ethnically based parties can use such tensions as an additional means of popular manipulation and control.

Although the international community has provided large amounts of aid and advice to strengthen local institutions and the rule of law, it may itself be responsible for some of the problems. The United States and its European allies helped craft the decentralized political system of Bosnia, which was a product of post-war political compromise. Since the late 1990s, they have viewed the arrangement as an unworkable one that hinders the country's Euro-Atlantic integration, and have pushed for the strengthening of central government institutions, but have faced resistance and obstruction, mainly from Bosnian Serbs leaders. Some observers have asserted that political tensions within Bosnia could even lead to a resumption of violence, particularly if the Bosnian Serbs attempt to secede from Bosnia.³ In both Bosnia and Kosovo, international officials frequently imposed policies from above, perhaps fostering a culture of dependency and political irresponsibility among local elites. Given these problems, the region's transition to democracy and the rule of law is likely to be lengthy and difficult.

Economic Reform and Improving Living Standards

The economies of the region face the burden of a Communist legacy as well as resistance to economic transparency by many local leaders. Some of the region's economic problems are closely related to its political problems. Weak and corrupt state structures have been an obstacle to rationalizing tax and customs systems to provide adequate revenue for social programs and other government functions. The absence of the rule of law has hampered foreign investment in some countries due to concern over the sanctity of contracts. In Bosnia, the lack of a strong central government and the division of the country into two semi-autonomous "entities" has hindered the development of a single market.

Substantial progress has been made in economic reforms in many countries since the 1990s. Fiscal and monetary austerity, with the assistance of international financial institutions, permitted

³ For more information, see CRS Report R40479, *Bosnia: Current Issues and U.S. Policy*, by Steven Woehrel.

many countries to avoid hyperinflation and stabilize their currencies. The countries of the region embarked on the privatization of their industries. However, the process remains incomplete and there have been concerns within these countries and among foreign investors about corruption and a lack of transparency in some deals. High unemployment and poverty are serious problems in all of the countries of the region.

Until the global economic crisis, the countries of the region experienced substantial economic growth and increases in real wages. They also attracted increasing foreign investment, although totals remain low when compared to those of central European countries that joined the EU in 2004. Croatia has been particularly successful in economic reform and in attracting foreign investment, and expects to join the EU in 2011. Indeed, in per capital income, structural reforms, and foreign direct investment, Croatia has already surpassed several current EU member states, particularly Romania and Bulgaria.

Although positive signs have emerged in recent years, the economic challenges faced by the countries of the region mean that many years could be required before the poorer countries even approach average EU living standards. As in the case of political reform, which is closely linked to successful economic reform, a long-term international commitment of aid, advice, and the prospect of EU membership may be required to build and maintain a local consensus for often painful measures.

The global economic crisis has dealt a painful setback to the region. The countries of the region generally have had large balance of payments deficits, due to a boom in imports. Since the economic crisis has hit, foreign financing has dried up. Many of the countries of the region have a narrow export base, vulnerable to downturns in western Europe. Exports have plummeted. Tourism, key for countries such as Croatia and Montenegro, is also likely to be heavily affected by the crisis. Remittances from persons working abroad, very important countries such as Albania and Kosovo, are also dropping. Currencies of many countries in the region have been under heavy pressure. Domestic tax revenues are declining. Unemployment, already a serious problem, is increasing.

In order to make ends meet, governments in the region have unveiled austerity policies, including sharp budget cuts. Such cuts could be politically destabilizing, given widespread poverty in the region. The countries are also seeking assistance from international financial institutions. In April 2009, the IMF agreed to give Serbia a \$4 billion loan, which could unlock additional EU aid. On May 5, Bosnia and the IMF reached agreement on a \$1.6 billion loan. However, Bosnia may have difficulty in meeting IMF conditions, due to the inability of a dysfunctional government in the Federation of Bosnia and Herzegovina, one of the two “entities” within Bosnia, to agree on deep cuts in social spending.

U.S. Policy Concerns

Creating Self-Sustaining Stability in the Balkans

The main goal of the United States and the international community in the Balkans is to stabilize the region in a way that does not require direct intervention by NATO-led forces and international civilian officials, and puts it on a path toward integration into Euro-Atlantic institutions. The United States and EU countries support a leading role for the EU in the region, with a smaller role

by the United States, at least as far as troop levels and aid are concerned. These goals have been given greater urgency by competing U.S. and international priorities that have emerged since September 11, 2001, such as the war on terrorism, and efforts to stabilize Iraq and Afghanistan, which have placed strains on U.S. resources.

Since the deployment of U.S. troops to Kosovo in 1999, U.S. officials have maintained the position that the U.S. peacekeeping forces went into the Balkans with the Europeans and would leave together with them. Nevertheless, as the situation in the region has stabilized, the United States and its allies have withdrawn troops from the region. Currently, about 1,500 U.S. troops are deployed in Kosovo.

In December 2004, the mission of SFOR, the NATO-led peacekeeping force in Bosnia, came to an end. Peacekeeping duties were handed over to a European Union force (EUFOR), now composed of about 2,000 troops. The EU force is tasked with helping to maintain a secure environment in Bosnia and support Bosnia's progress toward integration with the EU. No U.S. combat troops remain in Bosnia. Currently, there are about 15,500 NATO-led troops in KFOR in Kosovo, including the U.S. contingent.

Filling a Possible Security Gap

An important concern facing both Balkan deployments is who, if anyone, will fulfill the tasks that they are currently performing as military forces are withdrawn. EUFOR and KFOR do not play a direct role in policing duties in Bosnia and Kosovo. However, they do provide "area security" by regular patrolling. In Bosnia, an EU Police Mission monitors, inspects, and provides advice to promote multi-ethnic, professional police forces that act according to European standards. The Office of the High Representative (OHR), the leading international civilian body in Bosnia, has attempted to increase central government control over the police, reducing the role of the semi-autonomous "entities" within Bosnia. The United States and the EU believe such a move would make the police more efficient and effective, and increase Bosnia's unity. However, progress toward this goal has been slow, due to strong resistance from the Republika Srpska, the largely Serb entity. RS leaders see the police as a key bulwark of their power and do not want give up control over it. Police reforms passed by the Bosnian parliament in April 2008 were considerably weaker than those originally urged by the international community.

March 2004 riots in Kosovo exposed serious weaknesses in policing and security in Kosovo. With notable exceptions, the local Kosovo Police Service did not perform very well, sometimes melting away in the face of the rioters and in a few cases joining them. CIVPOL, the U.N. police contingent in Kosovo, was hampered by a lack of cohesion and leadership. There were many reports of KFOR troops, outnumbered by the rioters and unwilling to fire on them, refusing to intervene to stop the destruction and looting of property. Some KFOR units reportedly failed even to protect Serb civilians and U.N. police from violence.⁴ KFOR officers have said the Alliance has taken steps to deal with these problems, including by supplying its forces with non-lethal riot control equipment, establishing clearer lines of authority, and consistent rules of engagement.

KFOR and CIVPOL performed better during the violence in Mitrovica in northern Kosovo on March 17, 2008. U.N. police stormed a courthouse occupied by Serbian protestors. The police

⁴ For a detailed account of the riots and the response of UNMIK and KFOR to them, see International Crisis Group, "Collapse in Kosovo," April 22, 2004, at the ICG website, <http://www.crisisgroup.org/home/index.cfm?>.

and KFOR stood their ground as rioters attacked them with rocks, Molotov cocktails, automatic weapons, and grenades. One U.N. policeman was killed, and more than 60 U.N. police and about 30 KFOR troops were hurt, as were 70 rioters. Since then sporadic, smaller-scale outbreaks of violence between Serbs and Albanians in Mitrovica have continued, and are likely to occur in the future.

In December 2008, EULEX personnel replaced U.N. police in Kosovo. Some observers have questioned the effectiveness of EULEX in northern Kosovo, given the small numbers of personnel deployed and continued opposition by local Serbs to their presence. EULEX sees as its primary mission to monitor and mentor the Kosovo Police Service (KPS), although it has the authority to take on police tasks if necessary. However, local Serbs refuse to work with the KPS, as they believe doing so would constitute recognition of Kosovo's independence.

EUFOR and KFOR have also played important roles in overseeing the military forces of Bosnia and Kosovo. EUFOR inspects military arsenals in Bosnia. NATO and the Office of the High Representative have worked together to reform the two Bosnian entity armies and reduce them in size. These reforms include the unification of Bosnia's armies under a single command structure, including a Minister of Defense and Chief of Staff. However, although Bosnia now nominally has a unified armed forces, military units are not integrated at lower levels.

EU leaders are considering a drastic reduction of EUFOR from about 2,000 troops to about 200. A decision may be made later this year. The remaining forces would support defense reform and would not have a peacekeeping role. Germany, France, and other supporters of the move say their forces are overstretched, given deployments in Afghanistan and elsewhere. They assert that the risk of conflict in Bosnia is slight. Other EU countries are more cautious, saying that withdrawing EUFOR would send a bad political signal while Bosnia's political situation remains unsettled.

KFOR's presence deters possible Serbian aggression or military provocations against Kosovo, although an invasion of Kosovo by Serbian troops appears unlikely. Nevertheless, KFOR has been deployed to deal with violence in such flashpoints as the divided town of Mitrovica in northern Kosovo, and may face similar challenges in the future. KFOR also oversees the establishment of Kosovo's new army, the Kosovo Security Force, as foreseen by the Ahtisaari plan. Press reports have quoted sources in several NATO governments as saying that they expect KFOR to be reduced significantly in late 2009, although NATO officials stress no decision has yet been made. Some countries, such as Spain, have already made a unilateral decision to withdraw their troops, citing an improved situation in Kosovo and a more pressing need for troops in Afghanistan. On the other hand, advocates of a continued strong troop presence in Kosovo caution that a substantial withdrawal may be inadvisable considering the continuing likelihood of violence in northern Kosovo and the vulnerability of Serbian enclaves elsewhere.

Restructuring the International Role in the Region

Another issue, linked to EUFOR and KFOR's future, is how to reorganize the international civilian presence in the region. U.S. and European officials say that the ad hoc arrangements cobbled together at the end of the conflicts in Bosnia and Kosovo, under which local authorities are supervised and sometimes overruled by international bureaucracies (the Office of the High Representative in Bosnia, the EU-led missions in Kosovo) should be phased out. They believe that the two main forces for Euro-Atlantic integration, the European Union and NATO, should have a clear leading role in the region, but through advice and aid, not direct rule.

European Union

At the June 2003 Thessaloniki EU summit with the countries of the Western Balkans, EU leaders recognized the countries of the region as prospective EU members. The EU has granted EU membership candidate status to Croatia and Macedonia. Croatia has made good progress in its membership negotiations, and hopes to join the EU in 2011. However, in 2009, Croatia hit a roadblock in its membership efforts, due to a border dispute with EU member state Slovenia. The EU has recognized Macedonia as a membership candidate, but has not started formal talks with Skopje, due to concerns about the pace of reforms there. A long-standing dispute between Macedonia and Greece has also been an important factor holding up progress.

The EU has concluded Stabilization and Association agreements (SAA) with the other countries in the region. The SAA provides trade concessions, aid, and advice aimed at accelerating reforms and integrating the recipients more closely with the EU, with the goal of eventual EU membership. Albania signed an SAA in 2006. In April 2009, Albania formally submitted its membership application to the EU. Montenegro signed an SAA in 2007, and submitted an application for EU membership in 2008..

The EU signed an SAA with Serbia on April 29, 2008. The move appeared to be aimed at strengthening the hand of pro-Europe forces in Serbia's May 2008 parliamentary elections. However, at the insistence of the Netherlands and Belgium, the agreement will not be implemented until all EU countries agree that Serbia is cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY).

After the Bosnian parliament approved police reform legislation in April 2008, the EU announced that it would sign an SAA with Bosnia on June 16, 2008. The move was a softening of the EU's prior approach, as the police reform was a watered-down version of previous proposals and other EU conditions appear to have been dropped or postponed. Like the EU's decision to grant an SAA to Serbia, the signing of an SAA with Bosnia may have been intended to stabilize the region in the wake of Kosovo's independence.

Before Kosovo became independent, it participated in an SAA "tracking mechanism" that provides it with advice and support, with the aim of bringing Kosovo closer to the EU. Now that Kosovo is independent, it may be considered for a Stabilization and Association Agreement. However, a lack of consensus within the EU on Kosovo's recognition, as well as Kosovo's institutional weakness may slow this process.

The global economic crisis may slow possible EU membership for the countries of the region (with the possible exception of Croatia, which is already well along in the process), in part due to increasing political resistance to enlargement in major EU countries. In turn, the lack of a credible EU membership "carrot" could slow reform efforts in the region. Even shorter-term "carrots," such as visa-free travel to the EU, may be delayed by the political climate in many EU countries. On the other hand, some reforms may be required by the IMF in exchange for stabilization loans.

NATO

NATO's future role in the region will take place in part through the Partnership for Peace (PFP) program, which promotes the reform of the armed forces of these countries and their interoperability with NATO. In addition, the Membership Action Plan (MAP) process prepares

selected PFP members for possible future NATO membership by providing them with detailed guidance on improving their qualifications. MAP participants Albania and Croatia were invited to join NATO at the Alliance's summit in Bucharest in April 2008. A membership invitation to Macedonia, also a MAP country, was withheld due to the dispute with Greece over the country's name. NATO countries pledged to admit Macedonia to the Alliance once the name issue is resolved.

Serbia and Bosnia and Herzegovina were long excluded from PFP due to their failure to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY). However, in what many experts viewed as an unexpected reversal of policy, they were permitted to join PFP by NATO in December 2006. This may have been done for the same reasons that motivated the EU to sign SAAs with these countries in 2008 – to bring them closer to Euro-Atlantic institutions as Kosovo's status was close to resolution and in order to encourage further reform. In the case of Serbia, both moves may have also been timed to assist pro-Western parties in upcoming elections. Montenegro is also a PFP participant.

At the April 2008 NATO summit, Bosnia and Montenegro were offered an "Intensified Dialogue," a step toward Membership Action Plan status. The Alliance said it would consider Serbia for an "Intensified Dialogue," if it requests one. However, Serbia's interest in NATO membership appears to have waned in the wake of the recognition of Kosovo's independence. As an independent state, Kosovo is setting up its own security force under KFOR tutelage. Kosovo may join PFP in the future, but may be blocked by disagreement within NATO over recognition of Kosovo's independence.

International Supervisory Bodies in Bosnia and Kosovo

The Office of the High Representative (OHR) in Bosnia may be eliminated by the end of 2009, if the country makes sufficient progress on a package of reforms and conditions that has been outlined by the international community. After OHR's departure, an EU Special Representative will remain but will likely not have powers to impose legislation and dismiss officials as OHR had. OHR has used these "Bonn powers" powers more sparingly in recent years. Nevertheless, it remains to be seen if aid conditionality and the distant prospect of EU membership will be sufficient to move the reform process forward in Bosnia.

After Kosovo declared independence in February 2008, the European Union began to deploy an International Civilian Office (ICO), which would oversee Kosovo's implementation of the Ahtisaari plan. The role and powers of the ICO appear to be modeled on those of OHR in Bosnia. The head of the Office, the International Civilian Representative (ICR) was chosen by an international steering group of key countries. The ICR also serves as EU Representative in Kosovo. An American serves as his deputy. The ICR is the final authority on the implementation of the settlement, and has the power to void any decisions or laws he deems to be in violation of the settlement, as well as the power to remove Kosovo government officials who act in a way that is inconsistent with the settlement. The ICR's mandate will last until the international steering group determines that Kosovo has implemented the settlement. The first review of settlement implementation will take place in 2010.

A mission under the EU's European Security and Defense Policy (ESDP), dubbed EULEX monitors and advises the Kosovo government on all issues related to the rule of law, specifically the police, courts, customs officials, and prisons. It also has the ability to assume "limited executive powers" to ensure that these institutions work properly.

War Crimes Prosecutions

Responsibilities for prosecuting most war crimes in the region is shifting from the ICTY to local courts. U.S. and international officials have worked with local leaders and the ICTY to create a war crimes chamber to try lower-level war crimes suspects within Bosnia. The United States and other countries also assisted Serbia's efforts to set up its own war crimes court.

However, perhaps the most notorious ICTY indictee, former Bosnian Serb army chief Ratko Mladic, has not been turned over to the Tribunal. In addition to Mladic, two other ICTY indictees are at large, both Serbs. U.N. Security Council Resolution 1503 called for the ICTY to complete its trials by 2008 and all appeals by 2010. This could create a situation where Serbia could "run out the clock," if the ICTY is closed before the remaining indictees are brought to justice.

U.S. Role

The United States' role in the region, already substantially reduced since the 1990s, could be reduced even further as the EU's role increases. The United States could perhaps act largely through NATO and bilateral aid in selected areas, such as reform of intelligence and internal security bodies, military reform, and rule of law assistance. However, the prestige and credibility that the United States has in the region may still be needed to exercise political leadership in resolving some of the most difficult issues, such as creating viable central government institutions in Bosnia and ensuring the region's stability, given continuing tensions between Serbia and Kosovo. U.S. leadership is especially needed in cases where divisions among EU countries make it difficult for the EU to make difficult decisions quickly.

U.S. and International Aid in the Balkans

Since the end of the wars in the region, U.S. aid has gradually declined, in part due to a natural shift from humanitarian aid to technical assistance and partly due to a focus on assistance to other regions of the world. U.S. bilateral assistance appropriated in the account for political and economic reform in eastern Europe (which now exclusively focuses on Balkan countries) fell from \$621 million in FY2002 to \$293.6 million in FY2009. For FY2010, the Obama Administration requested just under \$284.8 million for political and economic aid to the region.

The overall goal of U.S. aid to the Balkans is to prepare the countries for integration into Euro-Atlantic institutions. U.S. programs are aimed at promoting good governance, fighting corruption, strengthening civil society and an independent media, enhancing market reforms, reducing threats of weapons of mass destruction, preventing trafficking in persons and contraband, and promoting the rule of law and human rights throughout the region.

U.S. officials see the EU as playing the leading role in providing assistance to reform Balkan countries along EU lines, eventually leading to EU membership. As these countries move closer to EU standards, the more advanced countries will "graduate" from U.S. assistance. For example, Croatia graduated from SEED assistance at the end of FY2006. In addition to SEED funding, all of the countries of the region receive a few million dollars each year in military aid to help their military reform and NATO integration efforts. In the case of many countries, the funding also supports their participation in ISAF, the NATO-led peacekeeping force in Afghanistan.

EU Aid to the Balkans

EU countries have a substantial interest in the stability of the Balkans. The region's problems already have a substantial impact on EU countries in such areas as trafficking in drugs and persons. The effect could be considerably worse if the region deteriorates into chaos and conflict. Some U.S. and European experts criticized what they view as a lack of vision by the EU in its policy toward the region. Under its Community Assistance for Reconstruction, Development, and Stabilization (CARDS) aid program for the region, the EU allotted 4.65 billion euro (\$5.6 billion) from 2000-2006.⁵

Skeptics of EU policy said this level of resources appeared at odds with commitments made at the June 2003 Thessaloniki EU summit, when EU leaders recognized the countries of the region as prospective EU members. Critics pointed to generous EU pre-accession aid given to Central European countries and to neighboring Bulgaria and Romania as a model, saying more extensive aid would help the Balkan countries restructure their economies and legal systems more quickly to meet EU conditions for membership, while bringing local living standards somewhat closer to EU standards.⁶ The EU took steps that appeared to be aimed at dealing with these problems. CARDS was folded into the Instrument for Pre-Accession Assistance (IPA), which helps all countries seeking EU membership. The EU allocated 11.47 billion euro (over \$17.8 billion) for the IPA for 2007-2013. According to the EU Commission, between 2007 and 2012, the average allocation for the western Balkans under the IPA is around 800 million euro (over \$1 billion) per year.⁷

The War on Terrorism and the Balkans

Since the September 11 attacks on the United States, the war on terrorism has been the United States' main foreign policy priority and has had an impact on U.S. policy in the Balkans. In the 1990s, wars and political instability provided an opportunity for Al Qaeda and other terrorist groups to infiltrate the Balkans. However, U.S. and European peacekeeping troops, aid, and the prospect of Euro-Atlantic integration helped to bring more stability to the region. Moreover, the September 11, 2001, attacks on the United States underscored for the countries of the region the dangers of global terrorism and resulted in increased U.S. attention and aid to fight the terrorist threat. In part as a result, many experts currently do not view the Balkans as a key region harboring or funding terrorists, in contrast to the Middle East, South Asia, Southeast Asia, and Western Europe.

However, experts note that the region may play a role in terrorist plans, as a transit point for terrorists, as well as for rest and recuperation. Moreover, they agree that the region's continuing problems continue to leave it vulnerable to terrorist groups. In October 2005, Bosnian police captured an Islamic terrorist cell that was plotting to blow up the British Embassy in Sarajevo.⁸

⁵ CARDS financial statistics at the European Union website http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/cards/statistics2000-2006_en.htm.

⁶ Discussions with U.S. and European Balkans experts.

⁷ EU Commission Staff Working Paper, EU Regionally-Relevant Activities in the Western Balkans 2008-9, February 3, 2009 at http://ec.europa.eu/enlargement/pdf/key_documents/highlight/eu_regional_wester_balkans_2008-2009_en.pdf

⁸ Rade Maroevic and Daniel Williams, "Terrorist Cells Find Foothold in the Balkans," *Washington Post*, December 1, 2005, p. 16.

U.S. officials have cited the threat of terrorism in the Balkans as an important reason for the need for continued U.S. engagement in the region. In addition to the need to take steps to directly combat terrorist infrastructure in the region, U.S. officials say that U.S. efforts to bring stability to the region also help to fight terrorism. They note that political instability, weak political and law enforcement institutions, and poverty provide a breeding ground for terrorist groups. U.S. objectives are also outlined in the *9/11 Commission Report and the President's National Strategy for Combating Terrorism*, which calls for the United States to work with other countries to deny terrorists sponsorship, support, and sanctuary, as well as working to diminish the underlying conditions that terrorists seek to exploit.

The United States has a variety of instruments to fight terrorism in the Balkans. One is the presence of U.S. troops in Kosovo and intelligence personnel in Bosnia. The United States also provides bilateral counterterrorism assistance to the countries of the region. The overall U.S. aid program to the region, aimed at bringing stability through strengthening the rule of law and promoting economic reform, also serves to combat the sometimes lawless climate in which terrorists can thrive. U.S. aid helps to develop export control regimes in the region, including over weapons of mass destruction and dual-use technology. The United States has encouraged regional cooperation on terrorism and international crime through the Southeast European Cooperation Initiative (SECI). In the longer term, efforts to stabilize the region, and thereby perhaps reduce its attractiveness to terrorists, are also dependent upon integrating it into Euro-Atlantic institutions.⁹

The Role of Congress in U.S. Balkans Policy

Congress has played an important role in shaping U.S. Balkans policy. Members of Congress spoke out strongly against atrocities by Serbian forces in Croatia and Bosnia in the early 1990s. Some Members pushed for lifting the arms embargo against the Bosniaks, so that they could better defend themselves. Congressional pressure may have encouraged the Clinton Administration to play a bigger role in stopping the fighting in Bosnia, ultimately culminating in the Dayton Peace Accords in 1995. Congress also played an important role in supporting the International Criminal Tribunal for the Former Yugoslavia and pressing for the arrest and transfer of indictees.

Despite the activism of some Members on these issues, many in Congress remained cautious about U.S. military involvement in the Balkans. The deployment of U.S. peacekeepers in Bosnia in 1995 and the air war in Kosovo in 1999 provoked heated debate in Congress, in part due to policy disagreements, in part due to partisan conflict between the Clinton Administration and a Republican-led Congress. However, despite sometimes harsh criticism, both military missions received full congressional funding. Nevertheless, concerns about the costs of open-ended missions led Congress to try several strategies to limit these uncertainties. These included pressing the Administration to set benchmarks for the deployments and to report on them. Congress also sought to limit U.S. engagement by pushing for greater burdensharing. As a result of legislation and congressional pressure, the U.S. aid and troop contributions in Bosnia and Kosovo were capped at no more than 15% of the total contributions of all countries.

⁹ For more information on terrorism in the Balkans, see CRS Report RL33012, *Islamic Terrorism and the Balkans*, by Steven Woehrel.

The end of the wars in the Balkans and the shift in U.S. priorities in the wake of the September 11 attacks have moved the Balkans to the periphery of congressional concerns, at least when compared to the situation in the 1990s. However, Congress continues to have an important impact in several areas. Foreign operations appropriations bills have at times moderated SEED funding cuts proposed by the President.

Congress has also played a critical role in helping to bring Serbian war criminals to justice. Since FY2001, Congress has included provisions in foreign operations appropriations bills that attached conditions on some U.S. aid to Serbia's central government, requiring cooperation with the war crimes tribunal, ending support to Bosnian Serb structures, and respect for minority rights. It can be argued that these provisions were a key catalyst for former Serbian leader Slobodan Milosevic's transfer to the tribunal in 2001, as well as the transfer of many others since then. However, the fear of suspected war criminals that they would be turned over to the Tribunal to comply with the aid criteria may have led to the murder of Prime Minister Djindjic in March 2003.¹⁰ Three major indicted war criminals remain at large, including former Bosnian Serb army chief Ratko Mladic.

Another Balkan issue on which some Members focused on is the status of Kosovo. In the 108th Congress, several House and Senate resolutions (H.Res. 11, H.Res. 28, and S.Res. 144) were introduced that dealt with the issue, some of them supporting independence for Kosovo. However, while some Members have strongly favored Kosovo's independence, others have been leery of taking steps that they believe could destabilize the region. H.Res. 28 was discussed at a House International Relations Committee hearing on Kosovo's future in May 2003 and at a markup session on the resolution in October 2004, but was not voted on by the Committee and did not receive floor consideration in the 108th Congress.

The 109th Congress also took up the issue of Kosovo's status. On January 4, 2005, Representative Tom Lantos introduced H.Res. 24, which expresses the sense of the House that the United States should support Kosovo's independence. On October 7, 2005, the Senate passed S.Res. 237, a resolution supporting efforts to "work toward an agreement on the future status of Kosovo." The resolution said that the unresolved status of Kosovo is not sustainable. It did not express support for any particular status option but said that it should "satisfy the key concerns" of the people of Kosovo and Serbia and Montenegro. An identical House resolution was introduced on December 17, 2005 (H.Res. 634).

Legislation on Kosovo's status has been introduced in the 110th Congress. On January 5, 2007, Representative Lantos introduced H.Res. 36, which calls on the United States to express its support for Kosovo's independence. On March 29, 2007, Senator Lieberman introduced S.Res. 135, which expresses the sense of the Senate that the United States should support Kosovo's independence. It says that if the U.N. Security Council does not pass a resolution supporting the Ahtisaari proposal in a timely fashion, the United States and like-minded countries should recognize Kosovo's independence on their own. A companion House measure, H.Res. 309, was introduced by Representative Engel on April 17. On May 24, Representative Bean introduced H.Res. 445, which expresses the sense of the House that the United States should reject an imposed solution on Kosovo's status and not take any unilateral steps to recognize Kosovo's independence. The second session of the 110th Congress may also consider legislation on Kosovo's post-status development.

¹⁰ For more information, see CRS Report RS21686, *Conditions on U.S. Aid to Serbia*, by Steven Woehrel.

Congress has supported NATO enlargement into the Balkan region. In March 2007, Congress approved the NATO Freedom Consolidation Act (P.L. 110-17). The legislation offered support for the NATO membership aspirations of Albania, Croatia, and Macedonia, and designated them as eligible for U.S. military aid under terms of the NATO Participation Act of 1994 (P.L. 103-447). On May 19, 2008, the Senate passed S.Res. 570, which congratulated Albania and Croatia on the invitations they received to join NATO at the Alliance's April 2008 summit, as well as invitations to Bosnia, Montenegro, and Serbia to have an Intensified Dialogue with NATO. In the 111th Congress, H.Res. 152, passed by the House on March 30, 2009, reaffirmed U.S. support for NATO, and said the admission of Albania and Croatia to the Alliance would add to NATO's capabilities and bolster its capacity to integrate former Communists states into a community of democracies. It said that NATO should "pace the process of NATO enlargement and remain prepared to extend invitations for accession negotiations to any appropriate European democracy meeting the criteria for NATO membership..."

There has been debate in Congress and elsewhere about whether greater U.S. diplomatic involvement in the region is needed in order to fight a perceived tendency of drift in U.S. and European policy in the Balkans that could potentially lead to the destabilization of the region. This discussion has focused largely on the failure of Bosnia to establish effective central government institutions, in part due to Bosnian Serb obstructionism. In the 111th Congress, Rep. Berman introduced H.Res. 171, which calls for constitutional reform in Bosnia. It calls for the Administration to appoint a special envoy to the Balkans to assist reform efforts in Bosnia, as well as elsewhere in the region. It also warns against a withdrawal of OHR before the international conditions are met, and asks the EU reconsider plans for a withdrawal of EUFOR. It calls on the United States to work with the EU in the EU's efforts to transition from the OHR to a leading role for the EU Special Representative in Bosnia in a way that will aid Bosnia's EU integration. H.R. 171 was passed by the House on May 12, 2009.

Figure I. Central Balkans Region



Source: Map Resources, Adapted by CRS.

Author Contact Information

Steven Woehrel
Specialist in European Affairs
swoehrel@crs.loc.gov, 7-2291